

Case study of benandjerry



**ASSIGN
BUSTER**

This case focuses on the issues of asset control of Ben & Jerry's Homemade, Inc with the four outstanding takeover offers by Dreyer's Grand, Unilever, Meadowbrook Lane Capital and Chartwell Investment in 2001. Through the analysis of the four offers, I suggest the Board accept the Unilever's offer. The advantage and disadvantage of each offer is discussed following.

Dreyer's Grand The offer does not maximize the shareholders wealth but retain the management philosophy.

It is the best offer for Ben & Jerry's management since the management team is maintained. In addition, Dreyer's was also involved in community-service activities. It implies that the social drive will be strengthened after the acquisition offered by Dreyer's Grand. However, the \$31 per share offer is much less attractive than other rest offers from the shareholders perspective. In stock transaction, Ben & Jerry will share the synergy risk with the Dreyer's Grand.

Unilever The offer maximizes the shareholders wealth but disturbs the management philosophy.

Unilever, as a profit oriented organization, may not encourage the philanthropy that is so important to B&J. There is a threat over the management philosophy. However, Unilever maintain select members of B&J management team. The select management team may influence policies to some extent. The offer with \$36 per share in cash is the best case scenario to shareholders. It gives a premium of \$15 per share.

Meadowbrook Lane Capital The offer does not maximize the shareholders wealth and disturbs the management philosophy.

Meadowbrook Lane will install new management team. Even though they will maintain select social projects and interests, the three objectives will be

disregarded. Besides, the offer with \$32 per share in cash is less attractive than Unilever's offer which offers a premium of another \$4 per share. Chartwell Investments The offer does not maximize the shareholders wealth and disturbs the management philosophy as well. Both the offer of the Meadowbrook Lane Capital and the offer of the Chartwell Investments are out of consideration.

Compared to the other offers, these two offers do not best satisfy either management or shareholders. Overall, the main conflict is between the offers made by Dreyer's and Unilever. One maintains the management interest at the cost of shareholder wealth, while the other one compromises on management philosophies but achieves maximum gain for shareholders. Some matters should be taken into account from both financial perspective and non-financial perspective. Financial facts At time 1999, the net sales of B&J almost double since 1994.

Even through the B&J accomplished 9.92% average annual growth, the growth rate of each year is very volatile which indicates the market share, customer loyalty and sales channel are not stable. The increasing gross margin at last 6 years benefited from reducing the cost of goods sold which may be led by increasing buyer power. The company continuously reduce their long term debt. After considering offers from Dreyer's and Unilever, we need to use more factors to determine which the best offer is, therefore I have to consider from both financial and no-financial facts.

Manager philosophy of operation should not have big conflict between acquiring and acquirer. I mark "+" as positive impact and "-" as negative impact comparing between Dreyer and Unilever. Unilever is fortune 500

company and has operation in many countries, giving B&J a very larger leverage to exposes to more markets and better distribution channel.

Although the management philosophy is different between B&J and Unilever, the better management team and much better buyer power could boost revenues and net income of B&J which also could benefit the local community by provide more job opportunities and more suppliers. Above all, I think the offer from Unilever can be accepted.

First, one of the missions of B&J is donated some partition of net income to community, it makes nonsense from business perspective; second, voting power and different types of share outstanding are also considering as a negative aspect of selling company. Third, the Vermont legislation is another block for selling company. Based on the current market value, the four offers all with more than 30% premium are fair. However, I need more detailed financial data to analyze and determine whether the current price is fair. All in all, the offer made by Unilever with above 70% premium of the stock price is the best choice to the B&J.